

**MINUTES OF THE MEETING OF  
THE ADVISORY COMMITTEE OF THE  
LOCAL GOVERNMENT PROPERTY INSURANCE FUND**

**Wednesday, October 29, 2003**

**Engineering Services Building  
1602 Emil Street  
City of Madison**

- PRESENT:** Kevin Houlihan, Chair, City of Madison  
Glinda Loving, 2<sup>nd</sup> Vice Chair, Milwaukee Metropolitan Sewage District  
Nicholas Alioto, Kenosha Unified School District #1  
Lynn Davis, CESA #6  
Nick Evgenides, Brown County  
Julie Helt, Village of Waunakee  
Don LaFontaine, City of Oshkosh  
John Rath, Milwaukee County  
Harold Reckelberg, Town of Luxemburg  
Jerry Runice, Berlin Area School District  
Doug Saubert, City of Whitewater  
Terry Siikarla, City of West Bend  
Laura Stauffer, Waukesha County  
Barb Wegner, Dane County
- GUESTS:** Eileen Mallow, Office of the Commissioner of Insurance  
Dan Bubolz, Office of the Commissioner of Insurance  
Greg Grunow, The ASU Group  
Sharon Moody, The ASU Group  
Fred Haring, The ASU Group  
April Zelinski, The ASU Group  
Dave Marchant, Marchant Consulting
- ABSENT:** Carole Charles, Outagamie County  
Connie Fisher, Chippewa County  
Patricia Stevens, Town of Grand Chute

Kevin Houlihan called the meeting to order at 9:10 a.m.

Kevin Houlihan welcomed attendees and introductions were made.

The agenda was reviewed and no new items added.

Upon a motion duly made by Harold Reckelberg and seconded by Don LaFontaine, it was unanimously

RESOLVED, that the minutes of the Advisory Committee of April 9, 2003 are approved as presented.

## **Old Business**

Dan Bubolz and Glinda Loving provided an update regarding American Appraisal Procedures. They have met with American Appraisal to attempt to reconcile values and "clean up" the statement of values. Glinda is very unhappy with American Appraisal's performance throughout this whole process and is uncomfortable with the firm being the Fund's appraisal vendor.

Discussion ensued regarding the credibility of the valuation numbers and trending mechanisms. A change in the statement of value process did lead to concerns regarding the lack of lead time to properly respond and update the report prior to renewal. This concern has since been corrected by ASU. The over-riding concern regarding American Appraisal is that the members do not feel that this vendor is performing adequately. A couple of suggestions include having American Appraisal audited by another firm; sending an RFI to other appraisal firms; and, establishing performance criteria that needs to be met by the annual renewal in 2004. Eileen Mallow will facilitate a meeting with American Appraisal and report back to the Advisory Committee at the next meeting.

Upon a motion duly made by Jerry Runice and seconded by Nick Evgenides, it was unanimously

RESOLVED, that OCI will review the American Appraisal contract, and facilitate a meeting with them to discuss outstanding customer service issues with Fund policyholders and establish performance criteria.

April Zelinski discussed the National Flood Program. Since the last meeting, there have been additional discussions with both NCSI and a public entity participating in the pilot. The major concerns that remain are that the NFIP will not allow blanket coverage ~ applications must be building specific and the application process is difficult and time consuming. Secondly, it will be difficult to make the program completely "cost neutral" to the Fund, which was a key objective.

Discussion with a participating public entity proved interesting. The director called it a "bloody complicated mess", even though they already had the infrastructure to implement such a program. They do not expect to make money, and expect to issue less than 1% of policies to current policyholders. He explained that many of their policyholders do not understand the program and coverage, and public funding is too tight to purchase additional insurance for those not already buying flood coverage. Their primary reason for participating is to lobby for changes in the program (i.e., higher deductibles, advocate the Community Rating process, and convince NFIP to become a reinsurer vs. primary insurer).

Upon a motion duly made by John Rath and seconded by Glinda Loving, it was unanimously

RESOLVED, that the Fund not pursue participation in the Public Entity Pilot of the National Flood Program.

Eileen Mallow updated the Committee regarding Marathon County. Currently OCI is attempting to negotiate a settlement to resolve the case. Approximately \$110,000 has been paid on the claim and the remainder of about \$2 million is in dispute.

Dan Bubolz presented the **Manager's Report**.

1. System RFP Status

One vendor (Pinsoft) responded to the RFP. The software has been evaluated by ASU as the primary user. It is expected that a contract will be awarded and become effective January 1, 2004.

2. PML (Probable Maximum Loss) Study

The Fund will continue to look at conducting this with the assistance of a broker following the broker selection process.

3. Reinsurance

An RFP to select a broker of record was issued on September 13, 2003. A vendor conference was held on October 28, 2003. The current broker of record is Aon Risk Services of Milwaukee. It was felt that the process of using a broker of record would allow better access to the reinsurance market and result in more favorable outcomes for the Fund. In addition to placement of the reinsurance, their services would also include other risk management projects.

4. Electronic Statement of Values

The Fund, ASU and American Appraisal have been meeting to discuss this goal. American Appraisal has been able to model an electronic version of an SOV. Don LaFontaine of the City of Oshkosh has volunteered to test the process. He has begun working with it and has found it to be easy to use. In the future, the goal would be to put this on the web for entities to update prior to a specified date for the renewal. An update on this project will be given at the next Advisory Committee meeting.

April Zelinski, Fred Haring, Greg Grunow and Sharon Moody, presented the **Administrator's Report**.

April informed the Committee that Dennis Tweedale is resigning his position as consultant to ASU due to becoming a full time employee of the League of Wisconsin

Mutual Insurance Company. ASU is interested in retaining this position in some form and welcomes any referrals from Committee members.

## 1. Claims

### i. Activity Report

Greg presented several charts and graphs explaining claims activity. He noted that of the \$8.6 million in Direct Losses for Schools, over \$3 million was incurred in two losses. He also noted that while claims counts are decreasing, the average value is inflated due to the tornado claims in northwest Wisconsin in 2002.

### ii. Subrogation and Recoveries

Greg Grunow explained the potential for subrogation and recoveries and provided an additional handout further analyzing the results.

There is currently \$4.6 million in subrogation potential pending. Of that, \$3.1 million is due to 5 claims.

In 2002, for every dollar we pursued, we were able to collect 74%. In 2003, that amount is over 85%. Collection activity is being handled more aggressively and the result is a greater collection rate.

The question of a legislative action regarding Vandalism claims and restitution was raised. Eileen Mallow explained that the Insurance Commissioner did not feel that he could get legislative support for this.

### iii. Claims Procedures

Greg reviewed the general procedures followed by ASU from the receipt of the claim to conclusion. ASU will tailor services slightly to accommodate the differing needs of each policyholder. Additionally, the Committee discussed the issue of coding of claim checks and lack of claim specific documentation. ASU and the Fund will attempt to resolve this concern by obtaining and including the policyholder's "reference" or internal claim number instead of date of loss in the coding sequence. If no claim number is provided, the date of loss will continue to be used.

## 2. Policy Administration

### i. Activity Report

Sharon Moody presented several charts and graphs explaining the program's status as of the end of the fiscal year, June 30, 2003. ASU is making a concerted effort to change "C" (co-insurance) policyholders to "V" policies.

ii. Non-Owned Property

Sharon noted that no unusual items of non-owned property are being submitted to the Fund.

iii. Changes in Forms

Sharon reported on a project to improve and update forms used in the Policy Services Department.

iv. Policy Issues

Fred Haring discussed a project being undertaken by ASU and the Fund to more closely examine issues with the policy on several levels. This includes language, coverage, and rating issues, as well as comparison to the insurance industry and financial implications. The project has now progressed to a point where the Fund is seeking input from the Advisory Committee. It is recommended that this project be remanded to the Claims and Policy Issues Sub-Committee to prepare a proposal for the next Advisory Committee meeting.

Committee members offered suggestions of topics to be thoroughly examined as a part of this project, to include: non-owned property, alarm credits, scheduled versus unscheduled contractor's equipment, and blanket coverage for business interruption.

A concern that is expressed is that the local government entities need assistance from the State to provide them with the coverage they need to accomplish their goals as a public entity, or the entities may be forced to seek insurance coverage elsewhere.

3. Surveys

April Zelinski presented the results of policyholder surveys conducted for both Claims and Policy Administration Services. These surveys cover the 2003 fiscal year. Over 1,500 surveys were sent, with 829 returned, a return ratio of 55%. Comments remain very positive, especially considering the changes in policy services staff and rate increases. Personal contact is made with any policyholder who requests contact or has had a negative experience. ASU is examining the criteria used to send surveys to make sure that they are not "over surveying" policyholders.

4. Current Staff Directory

An updated directory of ASU's designated Administrative Team is provided.

5. Newsletter

A newsletter has been prepared and will be published as soon as editing and final reviews are complete. EVERYONE is encouraged to submit articles or topics for the newsletter.

Dave Marchant presented the **Financial Report**. Dave reminded the Committee that he compiles the data but does not audit it. He reported that while ending surplus decreased for the third consecutive year, due to the rate increases being implemented and lower incurred losses, surplus has actually *increased* during the last two quarters. Direct losses for FY 2003 are higher than in previous years due to the tornado losses in the Fall of 2002. Total direct and net cost ratios have improved from FY 2002 to FY 2003.

John Rath requested discussion on several items of **Policy Issues**:

1. Timing of Renewal Notices

This item was previously addressed by Sharon Moody. More advance notice for reviewing and updating the SOV is now being provided to policyholders.

John requested that the next three items be included in the Policy Issues/Rewrite Project:

2. Scheduled v. Unscheduled Contractors Equipment

3. Business Interruption – Worksheet v. Blanket

4. Alarm Credit Forms

Nicholas Alioto presented a report on behalf of the **By-Laws Sub-Committee**.

Nick reviewed the results of the By-Laws Sub-Committee meeting and explained the recommendations that the Advisory Committee consist of 21 members, with the positions allocated to allow for appropriate representation by entity type. The terms of the appointments would be for 3 year periods consisting of 7 members for each term period. It was agreed that the Advisory Committee chair would have the discretionary authority to implement the By-Laws to the best of his ability.

Upon a motion duly made by Jerry Runice and seconded Glinda Loving, and with a friendly amendment made by Nick Evgenides and seconded by John Rath, it was unanimously

RESOLVED, that the recommendations of the By-Laws Sub-Committee are approved with the following changes:

1. Those members whose terms are expiring as of December 31, 2003 are automatically renewed for three (3) years, expiring on December 31, 2006, and
2. Under paragraph 1.1 MEMBERSHIP, the first sentence is edited to read "The Committee shall consist of up to 21 members who shall be **a person** employed, elected or appointed by a local unit of government as defined in Chapter 605 of the State of Wisconsin Statutes, and who are policyholders of good standing in the Fund."

Kevin Houlihan asked for discussion regarding **Committee Membership**.

1. Resignations

Two members of the Advisory Committee, John Keller and Vince Marchetti, resigned their positions in 2003.

2. Vice Chairs

Due to the resignation of 1<sup>st</sup> Vice Chair, Vince Marchetti, Chair Houlihan appointed 2<sup>nd</sup> Vice Chair, Glinda Loving to the 1<sup>st</sup> Vice Chair position, and Nick Alioto to the 2<sup>nd</sup> Vice Chair position.

3. Sub-Committees

Several vacancies on sub-committees were noted.

Don LaFontaine was appointed to the position of Chair of the Claims & Policy Issues Sub-Committee.

Julie Helt was appointed as a member of the Claims & Policy Issues Sub-Committee.

Nick Evgenides was appointed to be the Chair of the Reinsurance Sub-Committee.

It was acknowledged that for the purposes of this Committee, Eileen Mallow and Dan Bubolz should be listed as "Guests" at the meeting as Administrative Support to the Committee.

The **Next Meeting of the Advisory Committee** will be held on Wednesday, April 14, 2004 beginning at 9:30 a.m. Location to be announced.

Upon a motion duly made by John Rath and seconded by Don LaFontaine, it was unanimously

RESOLVED, that the meeting of the Advisory Committee is adjourned at 1:00 p.m.

Respectfully submitted,

---

April Zelinski, Acting Secretary

Date

ATTEST:

---

Kevin Houlihan, Chair

Date